MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BIB2074 – INTERNATIONAL BUSINESS

(All Sections/Groups)

11 FEBRUARY 2023
9.00 A.M. - 11.00 A.M.
(2 Hours)

INSTRUCTION TO STUDENTS

1. This question paper consists of **FOUR** pages with **THREE (3)** questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers for in the Answer Booklet provided.

SECTION A: CASE STUDY

The Role of Freedom in the American Economy

Freedom has a multiplier effect on all the other activities that made the United States an attractive location for foreign investments Because it is owed to these freedom principles which allowed Americans citizens to develop and pursue their 'American Dream', which eventually created a strong market of affluent and attractive target market for businesses. It is these freedom principles which have made America a free-market economy, a country low in regulation and easy to do business. It is also these freedom principles which allowed businesses to grow to their known sizes today.

In recent years, the political turmoil in the United States have raised many concerns over its stability as the world's economic powerhouse. And this are all indirectly tied to the erosion of freedom in the country. And these problems have been blamed on the left-leaning ideologies of the present administration, which favours regulation and control.

The Underlying Principles for Freedom

Freedom is one of the most cherished values that defines the American society. When the United States won her independence from the British in 1776, the thirteen founding states of the unanimously made this statement in the *Declaration of Independence*:

> *"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness"*

The *right to liberty*, in the language of the *Declaration*, means the right to 'freedom from tyranny and oppression' while *the right to the pursuit of happiness* means 'the freedom to pursue the joys of living'. Note that these rights are *unalienable*, meaning that they cannot be transferred or separated from any persons even if they wanted to.

Elements of freedom are also prominently emphasised in the Constitution. The first Constitutional amendment, known as the Bill of Rights was also ratified as an assurance to the people that they will be protected from tyranny from the government. It reads:

> *"Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances".*

The phrase *"Congress shall make no law..."* in the statement clearly affirms that the government, (both the legislative and the executive branch) cannot infringe this right. And the fact that the Constitution requires a three-fourths majority of States to get it ratified, makes it extremely difficult for one to change the constitution. And it is the role of the Supreme court to see that the constitution is upheld by the government of the day.

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Social Media Censorship and Freedom of Speech

Censorship is considered as a mechanism for stifling freedom of speech. It's is typically allowed only for publishers, whose editors make adjustments articles prior to publishing to protect themselves from lawsuits for damaging content. However, for social media companies, the situation is different. Section 230 of the Communications Decency Act (CDA) was put into place to protect social media companies from being sued or held responsible for its content because they are regarded as "platforms for content" rather than "publishers of content". Thus the CDA exonerates them from any legal action for any libellous or illegal posting by its users. Section 230 of the CDA states that:

> *"No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider"*

It is therefore in the spirit of the CDA, a violation for social media companies to censor its users. Social media companies who censor would be considered as publishers rather than platforms. Despite this, censorship was widely practiced by social media companies, such as Twitter, Facebook, even Google through its algorithms in its search results.

Twitter for instance, in the years leading up to the 2020 US Presidential Election, has removed tweets and suspended accounts based on what they believed to be "misinformation" or "sensitive content". When the presidency changed hands from the Republican to Democrat government, censorship became more pronounced. On the advice of the government, Twitter and many other social media platforms have censored posts deemed to be detrimental to the present administration, in violation of the spirit of the CDA. Monthly meeting had also been held to discuss materials to be prevented from circulation. It was this action that led Republicans in Congress to push for a "Protecting Speech from Government Interference Act" to prohibit federal bureaucrats and other executive officials from encouraging private companies to censor or limit speech.

The Acquisition of Twitter

In 2022, the CEO of Tesla, Elon Musk, bought a large stake at Twitter making him its largest shareholder, and later expressed interest to buy out the Company. This sparked cheers from free speech advocates. However, the excitement did not last long as Musk was later apprehensive and consider backing out of the deal. The company later tried to pressure Musk to honour his intention to buy the company by threatening to take the case to court. Nonetheless before any of these could take place, Musk purchased the entire company. The amount paid was US$ 44 billion.

While the acquisition was welcomed by many free speech advocates, the decision has also been regarded a foolish move by some, as Musk could have started an entirely new platform like Parler, or Truth Social (Trump's social networking site). It is also worth noting that the exorbitant price paid for the acquisition was partly funded by borrowing of US$25.5 billion, and secured by Musk's shares in Tesla. If Twitter fails to perform, Musk would lose a chunk of his ownership of Tesla.

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Perhaps Musk's bottom line is not really to earn a profit, but to restore free speech and conservatism in American society. In this regard, Twitter may be the best option as it has long been a nest for Democrats whom Musk would like to re-educate! On his first day as the "Chief Twit", he carried a large porcelain sink into Twitter's headquarters in San Francisco, California, trolling Democrats with a tweet which reads "Let that sink in".

At the time this case is written, not much is known of Musk's actual intentions, or how the acquisition would really turn out. I guess we just have to wait and see.

[Source: Case authored by the examiner, W. L. Hew, November 2022]

QUESTION 1

(a) In your opinion, why is *freedom of speech* regarded as an important value that safeguards *democracy*? Support your answer with an understanding of the case/general knowledge. (7 marks)

(b) The difficulty of amending the Constitution is in a way, undemocratic. What is the function of the Constitution, and why it has to be *undemocratic* in order to protect democracy? (8 marks)

(c) Justices of the Supreme Court (the judicial branch of Government) is appointed for life, and unchanged even though the government may change, which is undemocratic. What is the main function of the Supreme Court and why it has to be undemocratic in order to protect democracy? (8 marks)

(d) Explain how the political ideology of the present administration is related to its economic principles, and how it would affect the attractiveness of the United States as a location for foreign investments. (12 marks)

(Total: 35 marks)

QUESTION 2

(a) After acquiring a large share of Twitter, Musk had considered backing off from the deal. Discuss **THREE (3)** risks that Musk could have foreseen with the acquisition. Support your answers with an understanding of the case/general knowledge. (15 marks)

(b) After attempting to back off from the deal, Musk has finally decided to proceed with the acquisition. Discuss **THREE (3)** opportunities that Musk would have foreseen in the acquisition. Support your answers with an understanding of the case/general knowledge. (15 marks)

(Total: 30 marks)

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SECTION B: THEORETICAL QUESTIONS

QUESTION 3

(a) There are various theories that can be used to understand how an exchange rate comes into being. According to the *Law of One Price*, the *Purchasing Power Parity* (PPP) *Theory* can be used to determine the exchange rate between two countries provided that the market is fully efficient.

Assume that the spot exchange rate between Thailand and Malaysia is **10 THB : 1 MYR.**

Suppose that the price of a piece of banana is 10 THB in Thailand and 2 MYR in Malaysia. Citizens of both Thailand and Malaysia are free to trade and no transportation costs are incurred. Based on the Law of One Price, the price of bananas for both countries will normalize and reflect the exchange rate.

Explain how the price of banana will normalize between Thailand and Malaysia through the forces of demand and supply, and how the normalized price (final price) will reflect the spot exchange rate. [Hint: Use hypothetical scenarios, figures, and understanding of the PPP to illustrate your answer]. (15 marks)

(b) Assume that both Thailand and Malaysia has 600 units of resources each, and that the resources are equally distributed for the production of durians and bananas in both countries. Thailand uses 24 units of resources to produce 1 mil. tonnes of durians and 30 units to produce 1 mil. tonnes of bananas; while Malaysia uses 60 units to produce 1 mil. tonnes of durians and 40 units to produce 1 mil. tonnes of bananas. Later, in order to capitalize on comparative benefits, both countries decided to specialize. Thailand increased its allocation of resources for durians to 480 units at the expense of bananas, while Malaysia specializes completely in bananas. Both countries then traded on a basis of 6 mil. tonnes of durians for 6 mil. tonnes of bananas.
[Note: Sub-sections (i), (ii), and (iii) should be presented together in a table].

(i) Before specialization, what is the combined production of both countries for durians and bananas? (6 marks)

(ii) After specialization based on comparative benefits, what is the combined production of both countries for durians and bananas? (6 marks)

(iii) After trade, what are the extra amounts of durians and bananas enjoyed by both countries? (8 marks)

(Total: 35 marks)

End of Paper